

Message Text

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C O N F I D E N T I A L BERLIN 5162

DEPT PASS USDA FOR FAS

E.O.11652: GDS
TAGS: ECON GE
SUBJECT: GDR ECONOMIC PERFORMANCE : GROWTH DATA DOWN IN '76

1. OFFICIAL DATA PUBLISHED JANUARY 22 REPORTED THAT
GDR NATIONAL INCOME GREW 3.7 PERCENT IN 1976, THE
LOWEST RATE SINCE 1963, AND MORE THAN A PERCENTAGE
POINT AND A HALF BELOW THE GOAL OF 5.3 PERCENT. THE
RESULT ALMOST CERTAINLY PUTS THE FIVE YEAR PLAN GOAL
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OF 27.9 PERCENT GROWTH OUT OF REACH. THE REPORT OF
THE CENTRAL STATISTICAL ADMINISTRATION ON 1976 PLAN
FULFILLMENT ATTRIBUTES THE RESULT TO SHORTFALLS IN
AGRICULTURAL PRODUCTION CAUSED BY THE SUMMER'S DROUGHT
AND DIFFICULTIES IN THE FOREIGN TRADE SECTOR. THE
REPORT SYAS AGRICULTURAL PRODUCTION WAS DOWN 9.8 PERCENT
FROM LACKLUSTRE 1975 LEVELS; AND SUGGESTS THAT CEMA PRICE

INCREASES AND WESTERN INFLATION HAMPERED DEVELOPMENT OF THE ECONOMY. AT THE SAME TIME IT STRESSES THAT DESPITE THE GREAT MISFORTUNE IN AGRICULTURE, THE LIVING STANDARD CONTINUED TO RISE AT NORMAL RATES, WITH CONSUMERS FOR THE MOSTPART SHIELDED FROM THE EFFECTS OF THE DROUGHT. RETAIL SALES OF FOOD ITEMS WERE UP 3.1 PERCENT FOR THE YEAR, AND CONSUMER MANUFACTURERS 5.6 PERCENT FOR AN OVERALL EXPANSION OF RETAIL SALES OF AN ABOVE-PLAN 4.3 PERCENT.

2. GROWTH OF INDUSTRIAL PRODUCTION WAS REPORTED AS 5.9 PERCENT, WHICH DESPITE THE REPORT'S CLAIM THAT INDUSTRY PRODUCED AN ABOVE-PLAN 2.4 BILLION MARKS WORTH OF GOODS, WAS marginally BELOW THE TARGET OF 6.0 PERCENT. THE TARGET GROWTH RATE IN CENTRAL-MINISTRY ADMINISTERED INDUSTRY OF 6.6 PERCENT WAS ACHIEVED. PLAN FULFILLMENT WAS A CLOSE RACE FOR ALMOST ALL INDUSTRIAL BRANCHES, WITH THE MACHINE TOOL AND THE MACHINE BUILDING SECTORS REPORTING PLAN FULFILLMENT OF 100.0 PERCENT, AND SEVEN OTHER BRANCHES PLAN REPORTING FULFILLMENT INDICES BETWEEN 100.2 AN 100.0 PERCENT.

3. FIGURES PRESENTED ON 1976 PER-HECTARE CROP YIELDS IN COMPARISION WITH 1971-75 AVERAGES SKETCH DRAMATICALLY THE RAVAGES OF LAST SUMMER'S DROUGHT ON AGRICULTURAL PRODUCTION, ESPECIALLY ROOT AND PASTURE CROPS. PER-HECTARE YIELDS OF SELECTED CROPS EXPRESSED AS A PERCENTAGE OF THE 1971-75 AVERAGE WERE AS FOLLOWS: POTATOES, 66 PERCENT, GRAIN 88 PERCENT;
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SUGAR BEETS 67 PERCENT, ROOT FEED CROPS 74 PERCENT, PASTURE 81 PERCENT; AND GREEN SILAGE 59 PERCENT. FIGURES ON LIVESTOCK HERDS INDICATE THAT DESPITE THE VERY GITH SITUATION IN RESPECT TO DOMESTICALLY GROWN FEED, LIVESTOCK HERDS ARE BEING MAINTAINED NEAR YEAR-AGO LEVELS. ACCORDING TO THE REPORT, THE CATTLE POPULATION ON NOVEMBER 20, 1976 WAS DOWN ONLY ONE PERCENT FROM A YEAR AGO, SWINE WERE DOWN ABOUT TWO PERCENT. AND CHICKENS UP ABOUT TWO AND A HALF PERCENT. STATE PROCUREMENT PLANS FOR MEAT, MILK, AND EGGS WERE REPORTED AS FILLED OR OVERFULFILLED.

4. A BRIEF PASSAGE ON FOREIGN TRADE STATES THAT THE VOLUME OF FOREIGN TRADE ROSE 14 PERCENT OVER HE PRECEDING YEAR. THE GDR'S FOREIGN TRADE COMMITMENTS TO THE USSR AND OTHER CEMA COUNTRIES WERE SAID TO HAVE BEEN MET OVERALL. GDR IMPORTS FROM THOSE COUNTRIES CONSTITUTED " AN ESSENTIAL CONTRIBUTION" TO GDR RAW MATERIAL, FUEL, AND CONSUMER GOODS NEEDS.

OF PERHAPS MOST INTEREST WAS THE STATEMENT THAT
" ADDITIONAL EXPENDITURES BY THE GDR WERE NECESSITATED
BY CHANGES IN CEMA PRICES." TRADE WITH THE CAPITALIST
WORLD WAS HANDLED IN TWO SENTENCES, ONE NOTING THAT
TRADE HAD RISEN, AND THE OTHER STATING THAT INFLATION
IN THE WEST MADE THE GDR'S IMPORTS MORE EXPENSIVE.

5. THE PLANNED STEPPINGUP OF INVESTMENT WAS
REPORTED AS HAVING PROCEEDED SATISFACTORILY WITH
INVESTMENT RISING 6.8 PERCENT, HIGHER THAN THE
6.5 PLANNED, AND NEARLY THREE POINTS ABOVE THE
4.0 PERCENT RECORDED IN 1975. ALTHOUGH THE PLAN FOR
CONSTRUCTIN AND RENOVATION OF HOUSING WAS SLIGHTLY
OVERFULFILLED, THE CONSTRUCTION PALN AS A WHOLE WAS
NOT MET, WITH GROWTH OF 6.0 PERCENT REPORTED INSTEAD
OF THE PLANNED 6.3 PERCENT. A PASSAGE IN THE REPORT
ON GOVERNMENT CONTRIBUTIONS TO INDIVIDUAL WELFARE STATED
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THAT THE AVERAGE SUBSIDY TO A FAMILY OF FOUR FOR HOUSING
CONSTRUCTION AND MAINTENANCE, CONSUMEER PRICE
SUBSIDIES, EDUCATION, HEALTH, AND RECREATION HD
RISEN 70 MARKS A MONTH IN 1976 TO 610 MARKS. THE
NUMBER OF HOURS WEEKLY OF STEREO FM PROGRAMMING ON
EAST GERMAN RADIO RAOSE FROM 120 TO 180.

6. COMMENT: THE FIGURE FOR OVERALL GROWTH IN
1976 IS SURPRUSINGLY LOW. AS LATE AS DECEMBER,
CLACULATIONS BASEDON NUMBERS PUBLISHED IN THE
FIVE YEAR PLAN LAW SUGGESTED THAT THEGDR WOULD ANNOUNCE
NATIONAL INCOME GROWTH OF AROUND 4.7 PERCENT FOR
1976. WHILE THE GDR REPORTING IS EAGER TO LINK THE
RESULT CLOSELY TO THE POOR HARVEST, THESHARE OF
AGRICULTURE IN THE ECONOMY IS NOT LARGE, ABOUT TEN
PERCENT ACCORDING TO GDR DATA, OF WHICH AN IMPORTANT
SHARE IS LIVESTOCK PRODUCTION, WHICH HAS APPARENTLY BEEN
MAINTAINED AT NEAR-NORMAL LEVELS. THERE CAN BE LITTLE
DOUBT THAT THEWEATHER HIT CROP PRODUCTION
HARD, AND THATTHE POOR AGRICULTURAL RESULT HAD SOME
SPILLOVER IN OTHER SECTORS. IT DOES NOT SEEM
LIKELY , HOWEVER, THAT THE ENTIRE NATIONAL INCOME
UNDERFULFILLMENT CAN EE ATTRIBUTED SOLELY TO THE SHORT-
FALL IN AGRICULTURE. HIGHER IMPORT PRICES OF THEM-
SELVES WOULD NOT NECESSARILY PRODUCE A DROP IN INCOME,
BUT THEY WOULD IF THE HIGHER PRICES RESULTED IN
CUTBACKS OF IMPORTS OF NEEDED FUEL AND RAW MATERIALS.
IT APPEARS THAT IN 1976, FACED WITH AN ABNORMALLY LARGE
NEED FOR IMPORTED FOOD AND FEED, AND FURTHER DETERIORATION
IN THE GDR'S TERMS OF TRADE, THE LEADERSHIP CUT
INDUSTRIAL IMPORTS TO THE BONE, ACCEPTING THE MARGINAL

SLOWDOWN IN INDUSTRIAL PRODUCTION THAT THIS
COURSE IMPLIED. BETTER WEATHER IN 1977 WOULD EASE,
BUT NOT SOLVE THE GDR'S BASIC ECONOMIC PROBLEM WHICH IS A
HIGH DEGREE OF RESOURCE DEPENDENCE IN A WORLD OF RISING PRIMARY
PRODUCT PRICES.

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